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 INDIVIDUAL ESTATE PROPERTY RECORD AND REPORT

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## ASSET CASES

Case No.: 13-42368-MXM  
 Case Name: PRIMCOGENT SOLUTIONS LLC  
 For the Period Ending: 12/31/2022

Trustee Name: John Dee Spicer  
 Date Filed (f) or Converted (c): 11/05/2013 (c)  
 §341(a) Meeting Date: 12/16/2013  
 Claims Bar Date: 04/15/2014

1	2	3	4	5	6
Asset Description (Scheduled and Unscheduled (u) Property)	Petition/ Unscheduled Value	Estimated Net Value (Value Determined by Trustee, Less Liens, Exemptions, and Other Costs)	Property Abandoned OA =§ 554(a) abandon.	Sales/Funds Received by the Estate	Asset Fully Administered (FA)/ Gross Value of Remaining Assets
<b>Ref. #</b>					
1	BANK ACCOUNTS	\$0.00	\$340,545.47	\$0.00	FA
<b>Asset Notes:</b>	B of A Operating Account, B of A Deposit Account, B of A Debit Card Account. Post-conversion funds turned over as part of ASSET #13				
2	INSURANCE POLICIES	\$15,000.00	\$7,500.00	\$6,622.70	FA
<b>Asset Notes:</b>	Prepaid Insurance via US Premium Financie - Various Policies and Carriers.				
3	STOCK	\$0.00	\$0.00	\$0.00	FA
<b>Asset Notes:</b>	100% of the stock of its subsidiaries at an UNKNOWN VALUE. Subsidiaries include: Hercules Laser UK Ltd, Primcogent Solutions GmbH, and Hercules Laser Holdings LTD. Subsidiaries added by Amended Schedule B [see DOC #91]				
4	ACCOUNTS RECEIVABLE	\$14,405,751.00	\$3,082,335.27	\$0.00	FA
<b>Asset Notes:</b>	Trade A/R + Intercompany Receivables. Asset imported and read as \$14,905,751.00. Actual scheduled value was \$14,405,751.00. Orix has lien on Debtor assets and stay was lifted prior to conversion [see DOC ##75 and 161] A remaining secured claim of \$3,250,000.00 as to ASSET #5 is subject to a waterfall sharing arrangement reached re payment allocations [see DOC ##254 and 269]				
5	OTHER CONTINGENT AND UNLIQUIDATED CLAIMS	\$0.00	\$16,750,000.00	\$14,652,971.06	FA
<b>Asset Notes:</b>	Unliquidated Causes of Action against Erchonia and SBMI relating to the breaches of License & Supply Agreement and Asset Purchase Agreement. UNKNOWN amount. Orix has lien on Debtor assets and stay was lifted prior to conversion [see DOC ##75 and 161] A remaining secured claim of \$3,250,000.00 as to ASSET #5 is subject to a waterfall sharing arrangement reached re payment allocations [see DOC ##254 and 269]				
6	LICENSES, FRANCHISES, AND OTHER INTANGIBLES	\$27,400,000.00	\$16,076,584.27	\$0.00	FA
<b>Asset Notes:</b>	Exclusive Erchonia License & Supply rights and Customer Relationships. Orix has lien on Debtor assets and stay was lifted prior to conversion [see DOC ##75 and 161] A remaining secured claim of \$3,250,000.00 as to ASSET #5 is subject to a waterfall sharing arrangement reached re payment allocations [see DOC ##254 and 269]				
7	OFFICE EQUIPMENT AND FURNISHINGS	\$175,000.00	\$0.00	\$0.00	FA
<b>Asset Notes:</b>	Office Furniture in Corporate Office, Computers with Employees, Servers, Phone E. Orix has lien on Debtor assets and stay was lifted prior to conversion [see DOC ##75 and 161] A remaining secured claim of \$3,250,000.00 as to ASSET #5 is subject to a waterfall sharing arrangement reached re payment allocations [see DOC ##254 and 269]				
8	INVENTORY	\$300,000.00	\$0.00	\$0.00	FA
<b>Asset Notes:</b>	Supplements. Orix has lien on Debtor assets and stay was lifted prior to conversion [see DOC ##75 and 161]				

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A remaining secured claim of \$3,250,000.00 as to ASSET #5 is subject to a waterfall sharing arrangement reached re payment allocations [see DOC ##254 and 269]					
<b>Ref. #</b>					
9	OTHER PERSONAL PROPERTY	\$195,000.00	\$0.00	\$0.00	FA
<b>Asset Notes:</b> Software, Marketing Materials. Orix has lien on Debtor assets and stay was lifted prior to conversion [see DOC ##75 and 161] A remaining secured claim of \$3,250,000.00 as to ASSET #5 is subject to a waterfall sharing arrangement reached re payment allocations [see DOC ##254 and 269]					
10	MACHINERY AND SUPPLIES	\$40,000,000.00	\$28,676,584.27	\$0.00	FA
<b>Asset Notes:</b> Zerona Assets, EML Assets, Lunula Assets. Orix has lien on Debtor assets and stay was lifted prior to conversion [see DOC ##75 and 161] A remaining secured claim of \$3,250,000.00 as to ASSET #5 is subject to a waterfall sharing arrangement reached re payment allocations [see DOC ##254 and 269]					
11	OTHER RECEIPTS (u)	\$0.00	\$40.00	\$40.00	FA
<b>Asset Notes:</b> Trustee received a document subpoena with a \$40 witness fee payable to the debtor.					
12	REFUNDS (u)	\$0.00	\$2,820.20	\$2,820.20	FA
<b>Asset Notes:</b> Treasury refund warrant from Texas Comptroller.					
13	TURNOVER OF DIP ACCOUNT (u)	\$0.00	\$340,545.47	\$340,545.47	FA
<b>Asset Notes:</b> Turnover of Debtor in Possession Account Post Conversion					

## TOTALS (Excluding unknown value)

\$82,490,751.00

\$65,276,954.95

\$15,002,999.43

## Gross Value of Remaining Assets

\$0.00

## Major Activities affecting case closing:

- 12/31/2022 EOY Annual Report: All assets have been monetized. The Trustee has reviewed claims. Two claim objections have been filed and orders have been entered re same. The Trustee's CPA is preparing the estate's final income tax return. The Trustee anticipates that the Trustee's Final Report will be submitted to the United States Trustee for review and filing in the first quarter of 2023. An estimated 70% dividend will be paid to general unsecured creditors based on assets monetized.
- 07/25/2022 The litigation has settled for a final payment of \$10,000,000.00, bringing the entire recovery on the arbitration award to approximately \$15,000,000.00. The \$10,000,000.00 settlement is pending court approval. The Trustee currently is reviewing claims and intends to file a final report in 2022.
- 12/31/2021 The Trustee recently made an interim distribution to parties in interest in the approximate amount of \$3,400,000.00. The Trustee, through special counsel, is still pursuing litigation in Florida for the remaining approximate \$13,000,000+ outstanding on the arbitration award.
- 09/30/2021 The insurance company is paying a portion of the \$18,000,000 arbitration award in the approximate amount of \$3,400,000. The Trustee, through special counsel, is still pursuing the remaining approximate \$13,000,000+ outstanding on the arbitration award.

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07/31/2021	The Florida appellate court has affirmed the summary judgment ruling of the trial court which held that the Trustee's negligent misrepresentation claim arose during negotiations between the debtor and the liable party and is separate from any breach of contract claim exclusion that may be held by the insurance company from which the trustee has demanded payment. This is a good result for the estate in its attempt to be paid on the arbitration award.				
12/31/2020	The litigation against the insurance carrier remains pending in Florida. The issues have been fully briefed before the Court of Appeals and is ripe for decision in the first half of 2021. If the plaintiff (Trustee) prevails, the estate will be entitled to a \$3,000,000.00 recovery and then can pursue fraudulent transfer and bad faith claims against the insurance carrier. If the insurance carrier prevails in the appellate court, the case should be ready for closing with no further recovery to the estate.				
06/30/2020	The litigation against the insurance carrier remains pending in Florida.				
03/31/2020	The litigation against the insurance carrier remains pending in Florida				
12/31/2019	Erchonia, Mark Shanks and the Trustee entered into a compromise and settlement agreement (CSA) relating to certain discovery matters and confidential information. The CSA relates to the Florida litigation and is subject to bankruptcy court approval.				
09/30/2019	The litigation in Florida relating to insurance coverage on the arbitration award remains pending and unresolved.				
07/31/2019	Litigation is still pending relating to coverage under an insurance policy on the damages awarded in arbitration. The arbitration ruling was affirmed in the Trustee's favor by the 5th Circuit Court of Appeals.				
12/31/2018	The Florida litigation is still pending. Plaintiff's motion for summary judgment is set in the first quarter of 2019 relating to coverage by the insurance company on the \$18,000,000.00 judgment.				
07/16/2018	The litigation with the insurance company relating to payment on the arbitration award is pending in Florida. The case likely will go back to the Dallas arbitration panel to determine the propriety of a transfer of the claim after the arbitration award.				
12/31/2017	The estate is actively seeking to recover the \$18,000,000.00 arbitration award against SBMI. A collection action is being pursued in Florida against the insurance company insuring claims against SBMI.				

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The case converted from Chapter 11 to Chapter 7 on 11-5-13. The estate is seeking to employ special counsel to pursue commercial litigation. There is a dispute as to whether the estate owns certain causes of action and / or if such causes of action are subject to a security interest. The litigation appears to be the only asset of the estate, other than funds maintained in bank account.

Update as of 09/15/14: The bankruptcy estate and the secured creditor reached an agreement concerning various disputes between the parties. A motion was filed with the court to approve the settlement agreement but an objection was filed by the defendant in certain litigation brought by the estate. A hearing on whether to approve the settlement agreement was continued in an effort for all three parties to reach resolution on how to proceed with the litigation. Absent such a resolution, a hearing will be set to determine whether the court should approve the settlement agreement.

Update as of 12/31/14: The parties have resolved the terms of an agreed order approving the CSA. Special counsel has agreed to represent the trustee in the litigation against Erchonia and SBMI without a resolution of certain release issues, and ORIX is no longer pursuing an objection to such employment.

Update as of 5/27/14: The parties to the litigation are in the process of agreeing on an arbitrator to rule on the litigation.

Update as of 8/27/15: The parties to the litigation are in the process of scheduling arbitration.

Update as of 10/05/15: Counsel for the Trustee has filed a demand for arbitration. The arbitration will be presided over by three arbitrators. The Trustee has selected Judge Ted Akin. Erchonia has not yet advised on its selection. Once Erchonia makes its selection, the two arbitrators will jointly select the third arbitrator, who will preside as chair. Additionally, the Trustee has retained an ESI vendor and has commenced electronic document review.

Updated as of 12/31/15: The litigation is set to be heard by an arbitration panel in October, 2016. Discover is commencing in preparation of the arbitration panel hearing.

Update as of 07/25/16: The litigation is set to be heard by an arbitration panel in October 2016. Discovery is continuing in preparation of the arbitration panel hearing.

Update as of 12/5/16 and 12/31/16: The trustee notes Asset Nos. 3, 4, and 6 - 10 were assets administered during the Chapter 11 proceeding, and are not administered in the Chapter 7. The arbitration hearing with Erchonia and SBMI was conducted in November 2016. The estate and Erchonia reached a settlement agreement in which \$1.2M will be received by the estate from Erchonia, and Erchonia's claim against the estate will be withdrawn. The trustee's compromise and settlement agreement has been approved by the court, and the \$1.2M in settlement proceeds has been received and deposited in January 2017. Concerning SBMI, a decision from the arbitration panel is expected in the first quarter of 2017.

Update as of 7/15/17: The arbitration panel awarded an approximate \$18,000,000.00 judgment against SBMI. The judgment has not been confirmed yet by the Fort Worth Federal District Court. A collection action was filed in Florida against the insurance company insuring claims against SBMI.

[John Dee Spicer 2015-07-16 05:00:00]

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Initial Projected Date Of Final Report (TFR): 03/31/2016Current Projected Date Of Final Report (TFR): 03/31/2023

/s/ JOHN DEE SPICER

JOHN DEE SPICER